

AMENDED IN ASSEMBLY JANUARY 17, 2002

AMENDED IN ASSEMBLY JANUARY 7, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1625

Introduced by Assembly Member Pescetti

February 23, 2001

An act to add Sections 17053.19, 17053.20, 23619, and 23620 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1625, as amended, Pescetti. Income and bank and corporation taxes: credits: school contributions.

The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would provide a credit in an amount equal to ~~any~~ 50% of *certain* amounts contributed by a taxpayer to a public school in this state for the support of extracurricular activities, as defined, and to a school tuition organization, as defined.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17053.19 is added to the Revenue and
2 Taxation Code, to read:

1 17053.19. (a) There is allowed as a credit against ~~50 percent~~
2 of the “net tax,” as defined by Section 17039, an amount equal to
3 *50 percent of* any fees or cash contributions paid or incurred by the
4 taxpayer during the taxable year to a public school located in this
5 state for the support of extracurricular activities of the public
6 school.

7 (b) For purposes of this section, “extracurricular activities”
8 means school sponsored events or activities that require enrolled
9 students to pay a fee in order to participate, including, but not
10 limited to, any fee for bands, fencing, athletics, intramural
11 activities, clubs, organizations, and school field trips.

12 (c) No credit may be allowed under this section for any
13 contributions that the taxpayer designates to be used for the direct
14 benefit of a specific student or of any dependent of the taxpayer.

15 (d) Each school that receives contributions for extracurricular
16 activities shall provide the taxpayer with a receipt and make an
17 annual report available to the public as to the total amount of
18 contributions and how those contributions were used.

19 (e) Any contributions made under this section shall
20 supplement, and not supplant, existing governmental funding for
21 extracurricular activities.

22 (f) In the case where the credit allowed by this section exceeds
23 the “net tax,” the excess may be carried over to reduce the “net
24 tax” in the following year, and the succeeding five years if
25 necessary, until the credit has been exhausted.

26 SEC. 2. Section 17053.20 is added to the Revenue and
27 Taxation Code, to read:

28 17053.20. (a) There is allowed as a credit against ~~50 percent~~
29 of the “net tax,” as defined by Section 17039, an amount equal to
30 *50 percent of* any voluntary cash contributions ~~made paid or~~
31 *incurred by the taxpayer* during the taxable year to a school tuition
32 organization.

33 (b) For purposes of this section:

34 (1) “School tuition organization” means a charitable
35 organization in this state that is exempt from federal taxation under
36 Section 501(c)(3) of the Internal Revenue Code, and that allocates
37 at least 90 percent of its annual revenue for educational
38 scholarships or tuition grants to children, whose family income for
39 the taxable year does not exceed 2.5 times the federal index for
40 poverty, to allow them to attend any qualified school of their

1 parents' choice. If there are too few eligible students that qualify
2 for scholarships from the charitable organization, then any
3 remaining amount necessary to meet the 90 percent allocation
4 requirement may be rolled over to the following year, and, if
5 necessary, to subsequent years until the annual revenues are
6 completely allocated. In addition, to qualify as a school tuition
7 organization the charitable organization shall provide educational
8 scholarships or tuition grants to students without limiting
9 availability to only students of one school.

10 (2) "Qualified school" means a nongovernmental preschool,
11 elementary or secondary school, or any combination thereof,
12 *including any school* for handicapped students, which is located in
13 this state that does not discriminate on the basis of race, color,
14 handicap, familial status, or national origin, and that satisfies the
15 requirements prescribed by law for private schools in this state on
16 January 1, 2001.

17 (3) "Handicapped student" means a student who has any of the
18 following conditions:

19 (A) Hearing impairment.

20 (B) Visual impairment.

21 (C) Preschool delay.

22 (D) Speech or language impairment.

23 (c) No credit may be allowed under this section for any
24 contributions that the taxpayer designates to be used for the direct
25 benefit of a specific student or of any dependent of the taxpayer.

26 (d) Each school tuition organization that receives contributions
27 shall provide the taxpayer with a receipt and make an annual report
28 available to the public as to the total amount of contributions
29 received and how those contributions were used.

30 (e) Any contributions made under this section shall
31 supplement, and not supplant, existing governmental funding for
32 scholarships.

33 (f) In the case where the credit allowed by this section exceeds
34 the "net tax," the excess may be carried over to reduce the "net
35 tax" in the following year, and the succeeding five years if
36 necessary, until the credit has been exhausted.

37 SEC. 3. Section 23619 is added to the Revenue and Taxation
38 Code, to read:

39 23619. (a) There is allowed as a credit against ~~50 percent of~~
40 the "tax," as defined by Section 23036, an amount equal to 50

1 *percent of any fees or cash contributions paid or incurred by the*
2 *taxpayer during the taxable year to a public school located in this*
3 *state for the support of extracurricular activities of the public*
4 *school.*

5 (b) For purposes of this section, “extracurricular activities”
6 means school sponsored events or activities that require enrolled
7 students to pay a fee in order to participate, including, but not
8 limited to, any fee for bands, fencing, athletics, intramural
9 activities, clubs, organizations, and school field trips.

10 (c) No credit may be allowed under this section for any
11 contributions that the taxpayer designates to be used for the direct
12 benefit of a specific student or of any dependent of the taxpayer.

13 (d) Each school that receives contributions for extracurricular
14 activities shall provide the taxpayer with a receipt and make an
15 annual report available to the public as to the total amount of
16 contributions and how those contributions were used.

17 (e) Any contributions made under this section shall
18 supplement, and not supplant, existing governmental funding for
19 extracurricular activities.

20 (f) In the case where the credit allowed by this section exceeds
21 the “tax,” the excess may be carried over to reduce the “tax” in
22 the following year, and the succeeding five years if necessary, until
23 the credit has been exhausted.

24 SEC. 4. Section 23620 is added to the Revenue and Taxation
25 Code, to read:

26 23620. (a) There is allowed as a credit against ~~50 percent of~~
27 the “tax,” as defined by Section 23036, an amount equal to *50*
28 *percent of any voluntary cash contributions made paid or*
29 *incurred by the taxpayer during the taxable year to a school tuition*
30 *organization.*

31 (b) For purposes of this section:

32 (1) “School tuition organization” means a charitable
33 organization in this state that is exempt from federal taxation under
34 Section 501(c)(3) of the Internal Revenue Code, and that allocates
35 at least 90 percent of its annual revenue for educational
36 scholarships or tuition grants to children, whose family income for
37 the taxable year does not exceed 2.5 times the federal index for
38 poverty, to allow them to attend any qualified school of their
39 parents’ choice. If there are too few eligible students that qualify
40 for scholarships from the charitable organization, then any

1 remaining amount necessary to meet the 90 percent allocation
2 requirement may be rolled over to the following year, and, if
3 necessary, to subsequent years until the annual revenues are
4 completely allocated. In addition, to qualify as a school tuition
5 organization the charitable organization shall provide educational
6 scholarships or tuition grants to students without limiting
7 availability to only students of one school.

8 (2) "Qualified school" means a nongovernmental preschool,
9 elementary or secondary school, or any combination thereof,
10 *including any school* for handicapped students, which is located
11 in this state that does not discriminate on the basis of race, color,
12 handicap, familial status, or national origin, and that satisfies the
13 requirements prescribed by law for private schools in this state on
14 January 1, 2001.

15 (3) "Handicapped student" means a student who has any of the
16 following conditions:

17 (A) Hearing impairment.

18 (B) Visual impairment.

19 (C) Preschool delay.

20 (D) Speech or language impairment.

21 (c) No credit may be allowed under this section for any
22 contributions that the taxpayer designates to be used for the direct
23 benefit of a specific student or of any dependent of the taxpayer.

24 (d) Each school tuition organization that receives contributions
25 shall provide the taxpayer with a receipt and make an annual report
26 available to the public as to the total amount of contributions
27 received and how those contributions were used.

28 (e) Any contributions made under this section shall
29 supplement, and not supplant, existing governmental funding for
30 scholarships.

31 (f) In the case where the credit allowed by this section exceeds
32 the "tax," the excess may be carried over to reduce the "tax" in
33 the following year, and the succeeding five years if necessary, until
34 the credit has been exhausted.

35 SEC. 5. This act provides for a tax levy within the meaning of
36 Article IV of the Constitution and shall go into immediate effect.